

# HSBC Turkey Manufacturing PMI™

## Turkish manufacturing PMI indicates stagnation in May

### Summary

The business climate in Turkey's manufacturing sector was largely stagnant in May, according to the latest PMI™ survey data from HSBC. Output was little-changed from April and new orders fell marginally, the first contraction since July 2013. Bright points from the latest survey included further increases in new export orders and employment, albeit at slower rates than in April. Meanwhile, rates of inflation for input and output prices eased further from January's peaks.

The headline HSBC Turkey Manufacturing PMI is a composite single-figure indicator of manufacturing performance. The PMI registered close to the no-change mark of 50.0 in May, falling to 50.1 from 51.1 in April. The latest figure indicated broadly stagnant business conditions in the goods-producing sector, and was the lowest in the current 10-month sequence of positive readings. The downward movement in the PMI in May was reflected in all five of its component indices, most notably new orders and employment (although the latter still had a positive overall contribution).

Central to the near-stagnation in manufacturing business conditions in May was a decline in new orders. The rate of contraction was only marginal, but ended a nine-month spell of continuous growth. A lull in domestic demand following the elections was reported by a number of firms. Meanwhile, new export orders rose for the tenth month running, but at the joint-slowest pace over this sequence.

Manufacturing output rose for the twelfth consecutive month in May, but the rate of expansion slowed to a negligible pace. Latest data and anecdotal evidence suggested that manufacturing capacity continued to rise. Backlogs of work fell for the third month running, but at a weaker rate.

Aside from rising export volumes, the other main positive from the latest survey was a further increase in manufacturing employment, continuing the trend that started back in June 2009. That said, the rate of job creation slowed to the weakest since July 2012.

Goods producers continued to increase their purchases of inputs in May, albeit at the slowest rate since August 2013. The volume of inputs held in stock declined for the second month running, however.

Input price inflation remained sharp in May, but moderated further from January's recent peak. Firms continued to report that the weak lira continued to drive up import costs. Output price inflation slowed for the fourth month running to the weakest since July 2013.

### Comment

Commenting on the Turkey Manufacturing PMI survey, Melis Metiner, Economist at HSBC, said:

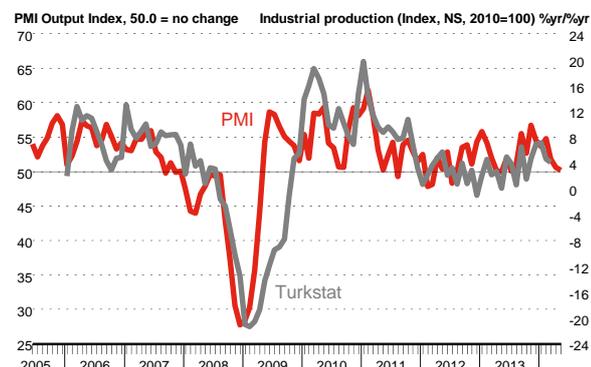
*"After nine months of improvement, Turkish manufacturing conditions were close to being stagnant in May. The PMI index came in at 50.1, reflecting slower output growth during the month. Total new orders fell, while new export orders rose at a much slower pace compared to April."*

*"Official data shows that manufacturing sector output rose by 5.3% y-o-y in Q1, but this pace is likely to slow in Q2 as domestic demand cools off. In May, new orders minus inventories, a forward looking indicator, fell into negative territory for the first time in twenty months. But slower domestic demand growth should also translate into moderating inflationary pressures. Already, in May, both the input and output price indexes retreated from their April levels."*

### Key points

- Output little-changed from April
- New orders decline for first time in ten months, albeit fractionally
- Input price inflation at 12-month low

### Historical Overview



Sources: HSBC, Markit, Turkstat.

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## Notes to Editors:

The HSBC Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Turkish GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index™ (PMI™)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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